

Session 18

COHORT DEFAULT RATE CALCULATIONS AND IMPACTS

School Rates for FFEL and Direct Loans

Katrina Turner

Frances Robinson

Jeff Baker

U.S. Department of Education



START HERE
GO FURTHER
FEDERAL STUDENT AID®

Cohort Default Rate Authorities

Higher Education Act of 1965

- Section 435(m) – CDR Calculation and Sanctions
- Section 428G – Disbursement Rules
- Amended by Higher Education Opportunity Act

Department of Education's Regulations

- 34 CFR Part 668, Subparts M and N
- Modified on October 28, 2009
- NPRM Published on July 28, 2009

Cohort Default Rate Guide

Why are CDRs Important?

Defaulted federal student loans cost taxpayers money and harm the borrower. By calculating *Cohort Default Rates* (CDRs), sanctioning schools with higher rates, and providing benefits to schools with lower rates, the statute creates an incentive for schools to work to reduce defaults.



START HERE
GO FURTHER
FEDERAL STUDENT AID®

Why are CDRs Important?

Congress believes that school behavior can influence borrower repayment if the school:

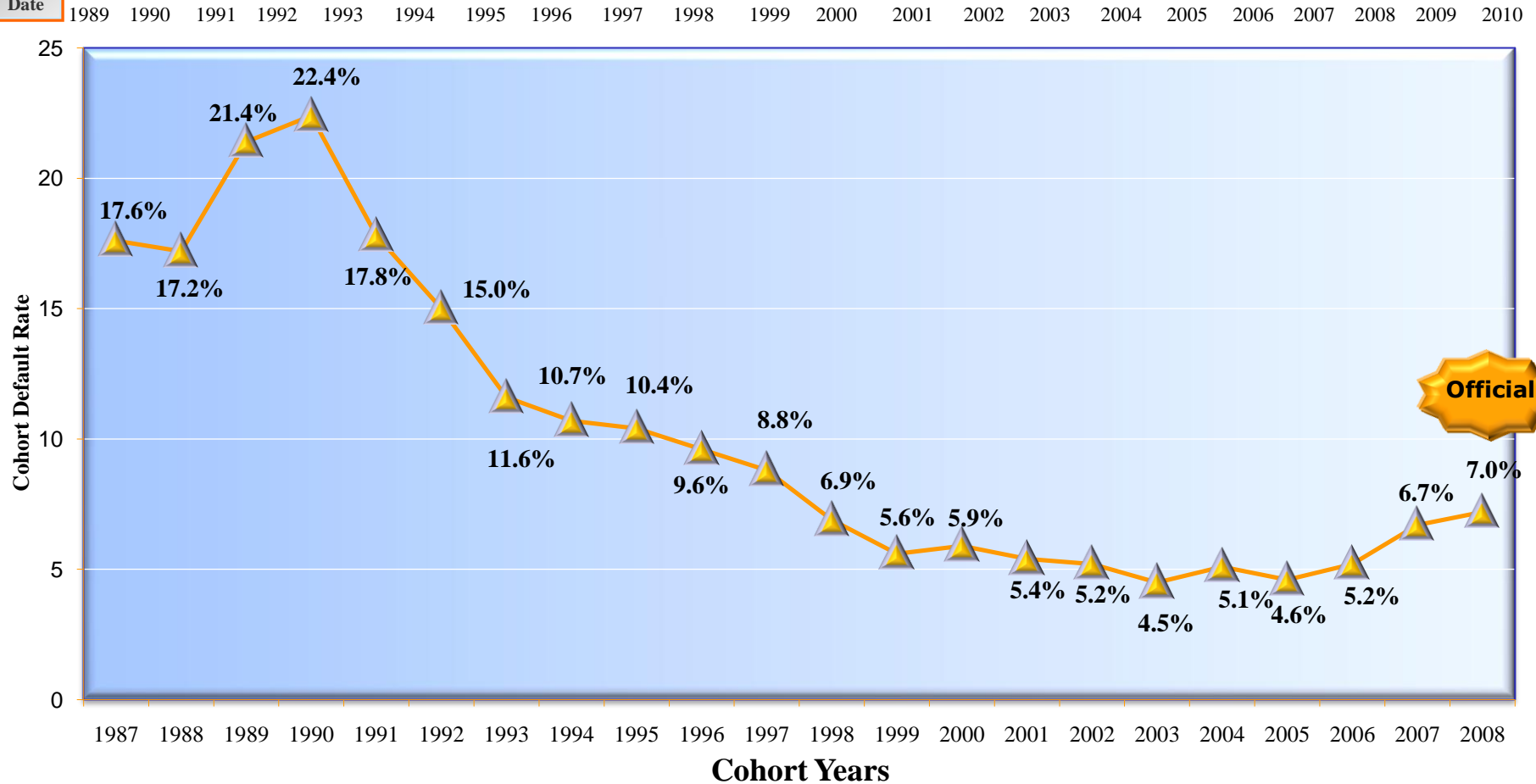
- Offers high-value academic programs
- Admits only qualified students
- Provides quality academic counseling
- Provides quality financial literacy counseling
- Provides quality loan counseling (entrance/exit)
- Assists ED, lenders, and guaranty agencies



FFEL and DL Cohort Default Rates

National Student Loan Default Rates

Issue
Date



START HERE
GO FURTHER
FEDERAL STUDENT AID®

HEOA Changes

- Increases CDR monitoring period from two to three years
- Increases sanction threshold default rate from 25 percent to 30 percent
- Establishes transition period to implement sanctions

HEOA Changes (continued)

- Increases the participation rate index from 0.0375 to 0.0625
- Requires a default prevention plan if 3-year CDR is 30 percent or more
- Increases disbursement relief threshold from 10 percent to 15 percent

Low CDR Disbursement Relief

The benefit threshold will change from 10 percent to 15 percent.

- Effective October 1, 2011
- Will include FY 07, FY 08, and FY 09 two year official rates.
- Allows single disbursement of one-term loan
- Schools will not have to wait 30 days before making first disbursement for first-time, first-year borrowers.



CDR Calculation & Calendar



What is the CDR Calculation?

Currently, a school's cohort default rate is:

The percentage of the number of the school's FFEL and Direct Loan borrowers who enter repayment in one federal fiscal year *who default in that federal fiscal Year or by the end of the next federal fiscal year.*

Beginning with the 2009 cohort it will be:

Borrowers who default in that federal fiscal year or by the end of the next two federal fiscal years.

2-Year Versus 3-Year Calculation



The *Numerator* is the number of borrowers from the denominator who default within a cohort period



The *Denominator* is the number of borrowers who enter repayment within a cohort period

$$\begin{array}{c} \text{FY-09} \\ 125 \\ \hline 5,000 \end{array} + \begin{array}{c} \text{FY-10} \\ 230 \end{array}$$

$$= \frac{355}{5000} = .071 \text{ or } 7.1\%$$

$$\begin{array}{c} \text{FY-09} \\ 125 \\ \hline 5,000 \end{array} + \begin{array}{c} \text{FY-10} \\ 230 \end{array} + \begin{array}{c} \text{FY-11} \\ 250 \end{array}$$

$$= \frac{605}{5000} = .121 \text{ or } 12.1\%$$



Transition Period

- Congress created a transition period during which “no school sanctions will be taken based on the 3-year calculated rate until after there have been three consecutive cohort years of such rates calculated”
- During the transition period, sanctions will be based on calculations made according to pre-HEOA provisions
- Two sets of draft and official CDR rates will be issued annually for Cohort Years 2009, 2010, and 2011

The Two-Year CDR Calendar

End of Cohort Federal Fiscal Year	For FY 09 cohort year was September 30, 2009
End of Cohort Tracking Federal Fiscal Year	For FY 09 cohort will be September 30, 2010
Release of Draft Rates	For FY 09 cohort will be February, 2011.
Release of Official Rates	For FY 09 cohort will be mid-September, 2011.

The Three-Year CDR Calendar

End of Cohort Federal Fiscal Year	For FY 09 cohort year was September 30, 2009
End of Cohort Tracking Federal Fiscal Year	For FY 09 cohort will be September 30, 2011
Release of Draft Rates	For FY 09 cohort will be February 2012.
Release of Official Rates	For FY 09 cohort will be mid-September 2012.



Transition Period

Two-Year vs. Three-Year Cohort Default Rates



Institutional CDR Calculations By CDR Year

Remaining Publications of 2-year CDR

CDR	Denominator: Enter Repayment	Numerator Default	Publish 2-year rates	Cohorts used for Sanctions
FY 2009	10/1/08-9/30/09	10/1/08-9/30/10	September 2011	FY 07, FY 08, FY 09
FY 2010	10/1/09-9/30/10	10/1/09-9/30/11	September 2012	FY 08, FY 09, FY 10
FY 2011	10/1/10-9/30/11	10/1/10-9/30/12	September 2013	FY 09, FY 10, FY 11



Institutional CDR Calculations By CDR Year

Publications of 3-year CDR

CDR	Denominator: # In Repayment	Numerator # In Default	Publish 3-year rates	Cohorts Used for Sanctions
FY 2009	10/1/08-9/30/09	10/1/08-9/30/11	September 2012	N/A
FY 2010	10/1/09-9/30/10	10/1/09-9/30/12	September 2013	N/A
FY 2011	10/1/10-9/30/11	10/1/10-9/30/13	September 2014	FY 09, FY 10, FY 11
FY 2012	10/1/11-9/30/12	10/1/11-9/30/14	September 2015	FY 10, FY 11, FY 12
FY 2013	10/1/12-9/30/13	10/1/12-9/30/15	September 2016	FY 11, FY 12, FY 13
FY 2014	10/1/13-9/30/14	10/1/13-9/13/16	September 2017	FY 12, FY 13, FY 14



Default Prevention Taskforce

- HEOA raised the single-year threshold for preparing a default management plan from 25% to 30%
- Effective 2012, schools with a CDR equal to or greater than 30% must establish a default prevention task force

Default Prevention Task Force

Schools must create a task force and prepare a default prevention plan that:

- Identifies the factors causing the school's CDR to exceed the threshold
- Establishes measurable objectives and identifies steps to take to improve the school's CDR
- Specifies actions the school will take to improve student loan repayment, including loan repayment counseling



CDR Challenges, Adjustments, and Appeals



Challenges, Adjustments, and Appeals

Challenges

- Incorrect Data Challenge (IDC)
- Participation Rate Index Challenge (PRI)

Adjustments

- Uncorrected Data Adjustment (UDA)
- New Data Adjustment (NDA)

Appeals

- Loan Servicing Appeal (LS)
- Erroneous Data Appeal (ER)
- Economically Disadvantaged Appeal (EDA)
- Participation Rate Index Appeal (PRI)



CDR Challenges

Challenges

- Incorrect Data Challenge (IDC)
- Participation Rate Index Challenge (PRI)

Challenges are submitted by a school after the release of draft *cohort default rates* using the Loan Record Detail Report.

A successful challenge will “fix” data that was used to calculate rates.



CDR Challenges (continued)

Incorrect Data Challenges are submitted to Guaranty Agencies(GA) for FFEL loans held by the GA and to the Department's servicers for FFEL loans held by ED and for Direct Loans.

Possible incorrect data:

- 1.Borrower did not enter repayment during cohort year
- 2.Borrower did not default during monitoring period
- 3.Other borrowers entered repayment during cohort period

CDR Challenges (continued)

- ***Participation Rate Index Challenges*** are submitted to the Department of Education. They are only available if school is potentially subject to loss of eligibility (or provisional certification) based on draft rates
- No sanction is applied if, based upon statutory formula, only a small percentage of a school's students who could receive a Title IV loan actually received one during a defined enrollment period

CDR Challenges (continued)

Participation Rate Index Challenge Formula

For one-year >40% potential loss of eligibility, PRI must be equal to or less than 0.06015.

For two-year $\geq 25\%$ potential loss of eligibility and for provisional certification, PRI must be equal to or less than 0.0375.

For three-year $\geq 30\%$ potential loss of eligibility and for provisional certification, PRI must be equal to or less than 0.0625.

$$\frac{\text{Total borrowers in 12-month period}}{\text{Total regular students in 12-month period}} \times \text{School's cohort default rate} = \text{Participation Rate Index}$$

CDR Adjustments

Adjustments

- Uncorrected Data Adjustment (UDA)
- New Data Adjustment (NDA)

Adjustments are submitted by schools to ED after release of official rates.

Successful Adjustments will result in the recalculation of the cohort default rate. The electronically corrected rate is publicly released.



CDR Adjustments(continued)

- ***Uncorrected Data Adjustments*** can be done in response to an *Incorrect Data Challenge* agreed to by the data manager but not reflected in the official rate
- They are only available for the most recent cohort of borrowers, used to calculate the most recent official rate. If approved, rate will be adjusted

CDR Adjustments

- ***New Data Adjustment*** is available only for the most recent cohort of borrowers used to calculate the most recent official rate
- A review of loan record detail reports for draft and official rates show data newly included, excluded, or otherwise changed
- The school identifies errors that are confirmed by the data manager. If approved, rate will be adjusted

CDR Appeals

Appeals

- Loan Servicing Appeal (LS)
- Erroneous Data Appeal (ER)
- Economically Disadvantaged Appeal (EDA)
- Participation Rate Index Appeal (PRI)

Appeals are submitted by schools to the Department of Education after release of the official *Cohort Default Rates*.



CDR Appeals

- ***Erroneous Data Appeals*** are only available if the school is subject to loss of eligibility (or provisional certification) based on official rates
- Concurrently, a Erroneous Data Appeal is also only available if the school previously challenged the accuracy of data as part of its *Incorrect Data Challenge*, or if a review of loan record detail reports for draft and official rates show data newly included, excluded, or otherwise changed and the school disputes the accuracy of data



CDR Appeals

- ***Loan Servicing Appeals.*** Schools request loan servicing records from Guaranty Agency(GA) for FFEL loans held by the GA and the Department of Education (ED) servicers for FFEL loans held by ED and for Direct Loans
- Schools may appeal their most recent official rate; or any official rate upon which loss of eligibility is based
- A successful appeal will result in adjustments to numerator and denominator
- An electronically correct rate will be publicly released

CDR Appeals

- ***Economically Disadvantaged Appeals*** are available based on loss of eligibility or notice of second successive official rate potentially subjecting school to provisional certification
- An *Economically Disadvantaged Appeal* requires an independent auditor opinion certifying a school's low-income rate and completion or placement rates that meet regulatory requirements



CDR Appeals

- ***Participation Rate Index Appeals*** are only available if a school is subject to loss of eligibility or provisional certification based on official rates
- There will be no sanction applied if, based upon statutory formula, only a small percentage of a school's students who could receive a Title IV loan actually received one during a defined enrollment period
- See *Participation Rate Index Challenge*

Other CDR Appeals

- ***Average Rate Appeals.*** If a school is subject to loss of eligibility but two or more of the official rates are average rates, actual rates will be used for those years
- Before notice of the official rate, the Department will make an initial determination that school may qualify for an average rate appeal
- If the school qualifies they will receive notice of that determination at the same time they receive notice of the official rate

Other CDR Appeals

- ***Thirty-or-Fewer Borrower Appeals.*** If combined total of all three years of borrowers entering repayment is less than 30, there will be no loss of eligibility
- Before notice of official rate, the Department will make an initial determination that a school may qualify for a thirty-or-fewer borrower appeal
- If the school qualifies, they will receive notice of that determination at the same time they receive notice of their official rate



Federal Student Aid - Default Prevention and Management - Cohort Default Rate Guide - Windows Internet Explorer

http://www.ifap.ed.gov/DefaultManagement/CDRGuideMaster.html

File Edit View Favorites Tools Help

Federal Student Aid - Default Prevention and Ma...

Home Searchable Database Contact Information FAQs

Default Management Search: GO [Advanced Search](#)

CDR Guide

- Default Rate Guide Master File
- Contents
- Part 1 Introduction
- Part 2 General Information
- Part 3 Strategy
- Part 4 Challenges, Adjustments, and Appeals
- Glossary
- Appendices
- eCDR Notification
- Downloadable CDR Files
- Current Press Releases
- Archived Press Packages
- eAppeals

Cohort Default Rate Guide

The Cohort Default Rate Guide (Guide) is a comprehensive publication that presents information on cohort default rates for schools participating in the Federal Family Education Loan (FFEL) Program and the William D. Ford Federal Direct Loan (Direct Loan) Program. Default Prevention and Management previously provided the Guide twice a year with the draft and the official cohort default rates. The original Guide, was published August 2001. The revised Guide was published August 2006 and posted on the Default Prevention and Management's web site at <http://ifap.ed.gov/DefaultManagement/DefaultManagement.html>. It is the permanent version and any change to its content will be accessible from the "Updates" link on the Guide homepage.

Cohort Default Rate Guide

- [Cohort Default Rate Guide Master File](#)
- [Table of Contents](#)
- [Part 1: Introduction](#)
- [Part 2: General Information](#)
- [Part 3: Strategy](#)
- [Part 4: Challenges, Adjustments and Appeals](#)
- [Glossary](#)
- [Appendices](#)

Local intranet | Protected Mode: Off 100%

2 Microso... Training 2 Microso... Federal Stu... Federal Stu... 1:18 PM



eCDR Appeals

- Processes IDC, UDA and NDA electronically
- 1st became available in February 2008 (FY 2006 draft CDR)
- Available at the following link:

<https://ecdrappeals.ed.gov/ecdra/index.html>

eCDR Appeals

- Beginning with the FY 2009 cohort (draft CDRs released in February 2011), all schools MUST use eCDR Appeals to prepare and submit their IDC, UDA and NDA
- Check IFAP for upcoming electronic announcements

eCDR Appeals Benefits

- Easy-to-use interface
- Protects Privacy Act data
- Automatically packages allegations by data manager
- Compares draft/official LRDR and populates UDA



eCDR Appeals - Windows Internet Explorer

https://ecdrapeals.ed.gov/ecdra/index.html

File Edit View Favorites Tools Help

eCDR Appeals

START HERE
GO FURTHER
FEDERAL STUDENT AID

eCDR Appeals System

PPD Home Page Login

Welcome

Federal Student Aid is pleased to announce the availability of the electronic Cohort Default Rate Appeals application(eCDR Appeals). The eCDR Appeals application is a web-based application that allows schools to submit Incorrect Data Challenges (IDC), Uncorrected Data Adjustment (UDA) appeals, and New Data Adjustment (NDA) appeals during the cohort default rate appeal cycles.

[LOGIN](#)

Help

The August 2006 [Cohort Default Rate Guide](#) (CDR Guide) is a publication that the U.S. Department of Education (Department) designed to assist schools with their Federal Family Education Loan (FFEL) Program and William D. Ford Federal Direct Loan (Direct Loan) Program cohort default rate data. This Guide should be used as a reference tool in understanding cohort default rates and processes.

The eCDR Appeals User Guides are designed to lead users through the online, paper-less IDC, UDA and NDA processes. These User Guides assume a basic knowledge of cohort default rates and associated processes. They complement the CDR Guide. In the event of any discrepancy between the IDC, UDA or NDA User Guides and the CDR Guide, **the CDR Guide is the authoritative source for regulatory considerations and constraints.**

- [eCDR Appeals IDC User Guide](#)
- [eCDR Appeals UDA User Guide](#)
- [eCDR Appeals NDA User Guide](#)

The [eCDR Appeals Registration and User Account Guide](#) focuses on the process of obtaining an account on eCDR Appeals. This guide also outlines the means for Destination Point Administrators (DPAs) to manage user accounts.

Note: From a technical perspective, all User Guides assume basic familiarity with using a computer and web browser to view and interact with web sites. These guides are made available as Adobe Acrobat PDF files. To view these files, the user will need to download the free Adobe reader.

Done

Local intranet | Protected Mode: Off | 100%

2 Microso... 2 Window... 2009 FSA C... 3 Internet ... White Pape... 1:44 PM

eCDR Appeals - Windows Internet Explorer

https://ecdrapeals.ed.gov/ecdra/index.html

File Edit View Favorites Tools Help

eCDR Appeals

The eCDR Appeals User Guides are designed to lead users through the online, paper-less IDC, UDA and NDA processes. These User Guides assume a basic knowledge of cohort default rates and associated processes. They complement the CDR Guide. In the event of any discrepancy between the IDC, UDA or NDA User Guides and the CDR Guide, **the CDR Guide is the authoritative source for regulatory considerations and constraints.**

- [eCDR Appeals IDC User Guide](#)
- [eCDR Appeals UDA User Guide](#)
- [eCDR Appeals NDA User Guide](#)

The [eCDR Appeals Registration and User Account Guide](#) focuses on the process of obtaining an account on eCDR Appeals. This guide also outlines the means for Destination Point Administrators (DPAs) to manage user accounts.

Note: From a technical perspective, all User Guides assume basic familiarity with using a computer and web browser to view and interact with web sites. These guides are made available as Adobe Acrobat PDF files. To view these files, the user will need to download the free Adobe reader.

[Get Adobe Acrobat Reader](#) | [Text Only Adobe Acrobat Reader download page](#)

Federal Student Aid also record short online demonstration sessions of the system for schools as a training aid:

- [Registration for eCDR Appeals](#)
- [Preparing and submitting an IDC](#)
- [Preparing and submitting a NDA](#)
- [Preparing and submitting a UDA](#)

These videos do not include any transcript as the User Guides offer a comprehensive description of the system. Simply enter your name and hit "View Recording". A "recording key" is not required. There are two versions of the video available for streaming or downloading. If viewing the Microsoft Office Live Meeting Replay version, it is recommended that you install the [Microsoft Office Live Meeting 2007 client](#) available at the same site.

Federal Student Aid has compiled a list of [Frequently Asked Questions for eCDR Appeals](#).

For additional help, please visit the Portfolio Performance Division's [Default Prevention and Management](#) web site

Last updated/reviewed October 04, 2009

FOIA | Privacy | Security | Notices

WhiteHouse.gov | USA.gov | ED.gov

Done

Local intranet | Protected Mode: Off | 100%

2 Microso... | 2 Window... | 2009 FSA C... | 3 Internet ... | White Pape... | 1:44 PM



eCDR Appeals Questions?

- Further information is available in the PC Lab
 - View eCDR Appeals demo
 - Registration assistance
 - Website overview and demo



Resources

- IFAP website: <http://www.ifap.ed.gov>
- Default Prevention and Management website:
<http://www.ifap.ed.gov/DefaultManagement/DefaultManagement.html>
- eCDR Appeals website: <https://ecdrappeals.ed.gov/>
- Questions regarding Default Prevention Plans: Mark Walsh, 816-268-0412, email: mark.walsh@ed.gov



Contact Information

We appreciate your feedback and comments. We can be reached at:

- Phone: 202-377-4259 (OPD hotline)
- Email fsa.schools.default.management@ed.gov
- Fax : 202-275-0913

